

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Financial Statements, Supplementary Information, and
Management's Discussion and Analysis

June 30, 2004

(With Independent Auditors' Reports Thereon)

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11
Supplementary Information	15
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

United States Department of Housing and
Urban Development

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority:

We have audited the financial statements of the Fairfax County Redevelopment and Housing Authority, Rental Program – Hopkins Glen (Project No. 000 55020 LDP) (the Project), as of and for the year ended June 30, 2004, as listed in the accompanying table of contents. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Project are intended to present the financial position and changes in financial position and cash flows of only the Project. They do not purport to, and do not, present fairly the financial position of the Fairfax County Redevelopment and Housing Authority as a whole as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the Project referred to above present fairly, in all material respects, the financial position of the Project at June 30, 2004, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the Project's basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was made for the purpose of forming an opinion on the Project's financial statements taken as a whole. The supplementary information on pages 15 to 20 is presented for purposes of additional analysis and is not a required part of the Project's financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the Project's financial statements and, in our opinion, are fairly stated in all material respects in relation to the Project's financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004 on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

KPMG LLP

August 13, 2004

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Management's Discussion and Analysis (MD&A)

June 30, 2004

Introduction

The Fairfax County Redevelopment and Housing Authority (FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment, and revitalization programs within Fairfax County as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County board of supervisors created the Department of Housing and Community Development (HCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County's low and moderate income residents.

The FCRHA presents this discussion and analysis of its rental program – Hopkins Glen, Project No. 000-55020 LDP (the Project) for the fiscal year ended June 30, 2004, to assist the reader in focusing on significant financial issues. The Project consists of 91 rental units and is included in the overall Fairfax County Rental Program.

The Project's Financial Highlights for FY2004

In summary, the Project's FY2004 financial highlights include the following:

- At June 30, 2004, total assets and liabilities were approximately \$1.707 million and \$1.850 million, respectively; thus total net assets was a deficit of approximately \$144,000.
- Total revenues and expenses were approximately \$616,000 and \$615,500, respectively; thus total net assets increased by approximately \$500.
- Cash flows from operating activities amounted to approximately \$145,000. After considering investing, capital, and related financing activities, total cash increased by approximately \$27,000.

Project Financial Statements

This discussion and analysis presents the Project's FY2004 financial results in three financial statements – the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. The FY2004 financial results are also compared to FY2003, thus allowing the readers to ascertain the reasons for changes in expenses, revenues, or net asset balances. These financial statements were prepared using the economic resources measurement focus and the full accrual basis of accounting, and report the Project's net assets and changes in net assets. Under the full accrual basis of accounting, the financial statements recognize revenues in the period they are earned and expenses in the period in which they are incurred.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Management's Discussion and Analysis (MD&A)

June 30, 2004

Summary of Net Assets

The Project's statement of net assets, which is similar to a balance sheet, reports all financial and capital assets of the Project and is presented in a format where assets, minus liabilities, equal net assets. The following table presents condensed statements of net assets as of June 30, 2004 and 2003.

Table 1

Summary of Net Assets

June 30, 2004 and 2003

Description	2004	2003	Increase (decrease)
Current and other assets	\$ 310,525	284,338	26,187
Capital assets	1,396,391	1,458,579	(62,188)
Total assets	1,706,916	1,742,917	(36,001)
Current liabilities	1,176,452	1,162,931	13,521
Long-term liabilities	674,237	724,242	(50,005)
Total liabilities	1,850,689	1,887,173	(36,484)
Net assets (deficit):			
Invested in capital assets, net of related debt	672,149	685,560	(13,411)
Restricted	194,037	149,463	44,574
Unrestricted	(1,009,959)	(979,279)	(30,680)
Total net assets (deficit)	\$ (143,773)	(144,256)	483

The unrestricted net asset deficit is primarily due to current liabilities exceeding current assets by approximately \$866,000. This deficit is comprised of operating advances from the Authority of approximately \$1 million. These advances, recorded as current, are not required to be repaid unless the Project cash flows are sufficient. If necessary, the FCRHA is committed to funding any future deficits resulting from Project operations.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Management's Discussion and Analysis (MD&A)

June 30, 2004

Summary of Revenues, Expenses, and Changes in Net Assets

The Project's statement of revenues, expenses, and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenue and expenses, such as investment income and interest expense. The statements reported an increase in net assets of approximately \$500 in FY2004. Table 2 presents a condensed summary of data from the Project's statements of revenues, expenses, and changes in net assets.

Table 2

Summary of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2004 and 2003

<u>Description</u>	<u>2004</u>	<u>2003</u>	<u>Increase (decrease)</u>
Revenues:			
Operating revenues	\$ 616,181	592,591	23,590
Interest income	596	1,808	(1,212)
Total revenues	<u>616,777</u>	<u>594,399</u>	<u>22,378</u>
Expenses:			
Operating expenses	575,824	596,310	(20,486)
Interest expense	40,470	35,265	5,205
Total expenses	<u>616,294</u>	<u>631,575</u>	<u>(15,281)</u>
Increase (decrease) in net assets	<u>\$ 483</u>	<u>(37,176)</u>	<u>37,659</u>

In FY2004, the Project's operating expenses amounted to \$575,824, most of which include administrative expenses related to personnel salaries and employee fringe benefit contributions, auditing costs, insurance, office supplies, utilities, depreciation, and repairs and maintenance expense. Operating expenses decreased by approximately \$20,486 due primarily to savings from insurance costs as this is the first year that the Authority is participating in the County's insurance program and is not required to fund such costs. See note 7 for further details.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Management's Discussion and Analysis (MD&A)

June 30, 2004

Capital Assets and Debt Administration

The Project's capital assets as of June 30, 2004, included land, buildings and improvements, and furniture and equipment that totaled \$1,396,391, net of accumulated depreciation of \$1,046,389. A breakdown of these assets is shown in the following table.

Table 3

Changes in Capital Assets of the Project

Description	Beginning balance	Net change	Ending balance
Nondepreciable assets:			
Land	\$ 41,969	—	41,969
Depreciable assets:			
Building and improvements	2,308,712	6,572	2,315,284
Furniture and equipment	63,567	21,960	85,527
Accumulated depreciation on depreciable assets	(955,669)	(90,720)	(1,046,389)
Total	\$ 1,458,579		1,396,391

The following table reflects the changes in the Project's long-term debt during FY2004.

Table 4

Changes in Long-Term Debt of the Project

Description	Beginning balance	Additions	Reductions	Ending balance	Due within one year
First mortgage note	\$ 301,619	—	(40,377)	261,242	41,605
SunTrust note	471,400	—	(8,400)	463,000	8,400
	\$ 773,019	—	(48,777)	724,242	50,005

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Management's Discussion and Analysis (MD&A)

June 30, 2004

Project Challenges for the Future

HCD commenced the process of replacing all existing lighting fixtures in the project. Also, because of the age and condition of the existing building HVAC supply lines, a cost analysis will be performed in the future for replacing the interior heat and air conditioning supply risers in all Project buildings.

Contacting FCRHA Management

This financial report is designed to provide the citizens of Fairfax County, taxpayers, tenants, and investors and creditors with a general overview of the Project's finances and to demonstrate the Project's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia, 22030.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Statement of Net Assets

June 30, 2004

Assets

Current assets:

Cash in bank	\$ 38,209
Tenant accounts receivable (net of allowance for uncollectible accounts of \$10,080)	1,632
Total current assets	39,841

Restricted assets:

Deposits held in trust	50,434
Reserves and mortgage escrow deposits	194,037
Total restricted assets	244,471

Capital assets (notes 3 and 4):

Land	41,969
Buildings and improvements	2,315,284
Equipment	85,527
Accumulated depreciation	(1,046,389)
Total capital assets, net	1,396,391

Deferred financing fees (net of accumulated amortization of \$3,188)	26,213
Total assets	1,706,916

Liabilities

Current liabilities:

Accounts payable and accrued liabilities	59,774
Due to the Authority (note 5)	1,000,564
Deferred revenue	3,497
Deposits held in trust	50,434
Accrued compensated absences	12,178
Mortgage and notes payable (note 4)	50,005
Total current liabilities	1,176,452

Noncurrent liabilities:

Mortgage and notes payable (note 4)	674,237
Total liabilities	1,850,689

Net Assets

Invested in capital assets, net of related debt	672,149
Restricted net assets	194,037
Unrestricted net assets (deficit)	(1,009,959)
Total net assets (deficit)	\$ (143,773)

See accompanying notes to financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2004

Operating revenues:	
Dwelling rentals	\$ 595,262
Other	20,919
	<hr/>
Total operating revenues	616,181
	<hr/>
Operating expenses:	
Personnel services	145,582
Utilities	127,104
Repairs and maintenance	109,689
Other supplies and expenses	100,604
Depreciation and amortization	92,845
	<hr/>
Total operating expenses	575,824
	<hr/>
Net operating income	40,357
	<hr/>
Nonoperating revenues (expenses):	
Interest income	596
Interest expense	(40,470)
	<hr/>
Total nonoperating expenses, net	(39,874)
	<hr/>
Change in net assets	483
	<hr/>
Total net assets (deficit), beginning of year	(144,256)
	<hr/>
Total net assets (deficit), end of year	\$ (143,773)
	<hr/> <hr/>

See accompanying notes to financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Rental income received	\$ 593,808
Other operating cash received	20,919
Payments to employees for services	(141,261)
Payments to suppliers for goods and services	(93,302)
Repairs and maintenance paid	(109,689)
Utilities paid	(127,103)
Net tenant security deposits received	1,220
Net cash provided by operating activities	<u>144,592</u>
Cash flows from investing activities:	
Interest received	<u>596</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(28,532)
Principal payments on mortgage and notes payable	(48,777)
Interest payments on mortgage and notes payable	(40,470)
Net cash used in capital and related financing activities	<u>(117,779)</u>
Net increase in cash	27,409
Cash, beginning of year	<u>255,271</u>
Cash, end of year	<u><u>\$ 282,680</u></u>
Reconciliation of net operating income to net cash provided by operating activities:	
Net operating income	\$ 40,357
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	90,720
Amortization of financing fees	2,125
Decrease in tenant accounts receivable	(903)
Increase in accounts payable and accrued liabilities	9,052
Increase in deposits held in trust	1,220
Increase in accrued compensated absences	2,573
Decrease in deferred revenue	(552)
Net cash provided by operating activities	<u><u>\$ 144,592</u></u>

See accompanying notes to financial statements.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Notes to Financial Statements

June 30, 2004

(1) Narrative Profile

The Fairfax County Redevelopment and Housing Authority (the Authority), Rental Program - Hopkins Glen, No. 000-55020-LDP (the Project) buildings were acquired by the Authority along with the land lease in exchange for the Authority's assumption of the Regulatory Agreement and the original mortgage note (see note 4). The original land lease is for a period of 79 years from the date of the Regulatory Agreement. Payments under the land lease are approximately \$10,000 per year and are adjusted for inflation every five years. At the end of the lease term, all structures of the Project revert to the land owners. The Authority is a component unit of the County of Fairfax, Virginia (the County). The Authority is also committed to funding any future deficits resulting from project operations.

The accompanying financial statements present only the financial position and changes in financial position and cash flows of the Project and are not intended to present fairly the financial position, changes in financial position, and cash flows of the Authority as a whole in conformity with accounting principles generally accepted in the United States of America (GAAP).

(2) Summary of Significant Accounting Policies

The accounting policies of the Project conform to GAAP as applicable to proprietary fund types of governmental units. The following is a summary of the Project's more significant accounting policies.

(a) *Basis of Accounting*

The activities of the Project are accounted for on an economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The Project applies all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or prior to November 30, 1989 unless these pronouncements conflict with pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of external financial reporting in accordance with GAAP, the Project is following the reporting guidance set forth in GAAP for "departmental" financial statements.

(b) *Cash in Bank*

Cash in bank is maintained in a separate account for project operations and is fully insured.

(c) *Restricted Assets*

Restricted deposits and reserves represent amounts held by the mortgage servicer pursuant to the HUD regulatory agreement. Additionally, such balance includes tenant security deposits and other refinancing related escrows. All amounts are fully insured or collateralized. Such restricted assets have been included in cash for purpose of the Statements of Cash Flows.

(d) *Compensated Absences*

Employees of the Project are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with the employee. Accumulated vacation is recorded as an expense and an accrued liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary – related payments (e.g.,

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Notes to Financial Statements

June 30, 2004

employer's share of social security taxes). All amounts are included as a current liability as the Project expects all amounts accrued at June 30, 2004 to be liquidated in 2004.

(e) *Revenue Recognition*

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned.

(f) *Capital Assets*

Capital assets are defined by the Project as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at cost when purchased and at fair market value when donated. Depreciation on buildings and equipment is calculated using the straight-line method over estimated useful lives of 27.5 years for buildings and improvements and five to ten years for furniture and equipment. Depreciation is not recorded on land.

(g) *Deferred Financing Fees*

Financing fees have been deferred and are being amortized on a straight-line basis over the term of the note.

(h) *Operating Revenues and Expenses*

The Project's policy is to report all Project revenues as operating with the exception of interest revenues and interest expense.

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Notes to Financial Statements

June 30, 2004

(3) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land	\$ 41,969	—	—	41,969
Capital assets, being depreciated:				
Buildings and improvements	2,308,712	6,572	—	2,315,284
Furniture and equipment	63,567	21,960	—	85,527
Total capital assets being depreciated	<u>2,372,279</u>	<u>28,532</u>	<u>—</u>	<u>2,400,811</u>
Less accumulated depreciation for:				
Buildings and improvements	902,531	84,008	—	986,539
Furniture and equipment	53,138	6,712	—	59,850
Total accumulated depreciation	<u>955,669</u>	<u>90,720</u>	<u>—</u>	<u>1,046,389</u>
Capital assets, net	<u>\$ 1,458,579</u>			<u>1,396,391</u>

(4) Mortgage and Notes Payable

On July 12, 1984, the Authority assumed the Regulatory Agreement and Deed of Trust, dated July 1, 1968, from the previous owners of the Hopkins Glen housing development along with a mortgage note in the original amount of \$1,112,000, bearing interest at 3%, with final payment due April 1, 2010. The Authority makes monthly principal and interest payments of \$4,073. The mortgage is guaranteed by HUD and the fixed assets of the Project are pledged as security for the mortgage note. The Project maintains certain restricted deposits and funded reserves as required by HUD.

On December 1, 2002, the Authority closed on a \$475,000 tax-exempt “bank qualified” loan from Sun Trust Bank. The note bears interest at a fixed rate of 4.33% per annum. The principal and interest payment is due on the first of each month commencing on January 1, 2003. The note matures on October 1, 2016.

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
First mortgage note	\$ 301,619	—	(40,377)	261,242	41,605
SunTrust note	471,400	—	(8,400)	463,000	8,400
	<u>\$ 773,019</u>	<u>—</u>	<u>(48,777)</u>	<u>724,242</u>	<u>50,005</u>

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Notes to Financial Statements

June 30, 2004

The aggregate amount of required principal and interest payments on the mortgage and notes as of June 30, 2004 is \$920,400 and is due as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2005	\$ 50,005	27,149
2006	51,870	25,515
2007	53,774	23,803
2008	55,118	22,043
2009	57,102	20,238
2010 – 2014	293,073	68,738
2015 – 2016	<u>163,300</u>	<u>8,672</u>
	\$ <u><u>724,242</u></u>	<u><u>196,158</u></u>

(5) Due to the Authority

Due to the Authority represents amounts borrowed from the Authority to fund Project operations. During 2004, there were no amounts repaid to the Authority or additional advances from the Authority. Such advances are noninterest bearing and are due on demand.

(6) Management of Project

The Project is managed by an unrelated management company pursuant to management agreement. The management company is paid a fee for its services which amounts to 6% of rental receipts. Such fees amounted to \$34,296 in 2004 and are reported in other supplies and expenses on the Statement of Revenues, Expenses, and Changes in Net Assets. Additionally, the management company is reimbursed for operating costs associated with managing the property. Such costs include a reimbursement for certain salary and related expenses of employees of the management company.

(7) Risk Management

The FCRHA Project is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the FCRHA Project participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's self-insurance internal service fund is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004.

SUPPLEMENTARY INFORMATION

**FAIRFAX COUNTY REDEVELOPMENT AND
HOUSING AUTHORITY**

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Supplementary Information

June 30, 2004

The following supplementary information is presented for the purpose of additional analysis:

Reserve for Replacements

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by Meridian Capital Markets and HUD to be used for replacement of property with the approval of HUD as follows:

Balance, June 30, 2003	\$	136,460
Monthly deposits		52,500
Interest earned		425
Withdrawals		<u>(59,684)</u>
Balance, June 30, 2004, confirmed by mortgagee	\$	<u><u>129,701</u></u>

Mortgage Escrow Deposits

In accordance with the provisions of the Regulatory Agreement, mortgage escrow deposits held by Prudential Huntoon Paige Associates for the payment of property taxes is as follows:

Balance, June 30, 2003	\$	13,003
Deposits		77,881
Withdrawals		<u>(26,548)</u>
Balance, June 30, 2004	\$	<u><u>64,336</u></u>

Other Information

Total mortgage principal payments required during the audit year
(12 monthly payments). Applies to all direct loans and HUD-held
and fully-insured mortgages. Any HUD-approved second mortgages
are included

\$ 48,777

Total of 12 monthly deposits in the audit year made to the replacement
reserve account, as required by the regulatory agreement, even if
payments are temporarily suspended or reduced

\$ 52,500

**Computation of Surplus Cash,
Distributions, and Residual Receipts**

**U.S. Department of Housing
and Urban Development**

Office of Housing
Federal Housing Commissioner

Project Name Hopkins Glen		Fiscal Period Ended: June 30, 2004	Project Number HUD Project No: 000-55020-LDP	
Part A – Compute Surplus Cash				
Cash				
1. Cash (Accounts 1110, 1120, 1191, 1192)		\$	88,643	
2. Tenant subsidy vouchers due for period covered by financial statement		\$	—	
3. Other (describe)		\$	—	
(a) Total Cash (Add Lines 1, 2, and 3)				\$ 88,643
Current Obligations				
4. Accrued mortgage interest payable		\$	—	
5. Delinquent mortgage principal payments		\$	—	
6. Delinquent deposits to reserve for replacements		\$	—	
7. Accounts payable (due within 30 days)		\$	27,556	
8. Loans and notes payable (due within 30 days)		\$	50,005	
9. Deficient Tax Insurance or MIP Escrow Deposits		\$	—	
10. Accrued expenses (not escrowed)		\$	44,396	
11. Prepaid Rents (Account 2210)		\$	3,497	
12. Tenant security deposits liability (Account 2191)		\$	50,434	
13. Other (Describe) – Due to Authority		\$	1,000,564	
(b) Less Total Current Obligations (Add Lines 4 through 13)				\$ 1,176,452
(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))				\$ (1,087,809)
Part B – Compute Distributions to Owners and Required Deposit to Residual Receipts				
1. Surplus Cash				\$ None
Limited Dividend Projects				
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement		\$		
2b. Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period		\$		
2c. Distributions Paid During Fiscal Period Covered by Statement		\$		
3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)		\$		
4. Amount Available for Distribution During Next Fiscal Period				\$ None
5. Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)				\$ None
Prepared By		Reviewed By		
Loan Technician	Date	Loan Servicer	Date	

form HUD-93486 (12-80)

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Rental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2004

Description of Account	Acct. No.	Amount
Part I – Rental Income – 5100:		
Apartments or member carrying charges (coops)	5120	\$ 600,408
Tenant assistance payments	5121	—
Furniture and equipment	5130	—
Stores and commercial	5140	—
Garage and parking spaces	5170	—
Flexible subsidy income	5180	—
Miscellaneous (specify)	5190	—
		<hr/>
Total rent revenue potential at 100% occupancy		600,408
		<hr/>
Vacancies – 5200:		
Apartments	5220	(5,146)
Furniture and equipment	5230	—
Stores and commercial	5240	—
Garage and parking spaces	5270	—
Miscellaneous (specify)	5290	—
		<hr/>
Total vacancies		(5,146)
		<hr/>
Net Rental Revenue		595,262
		<hr/>
Elderly and Congregate Services Income – 5300:		
Total Service Income (schedule attached)	5300	—
		<hr/>
Financial Revenue:		
Interest income – project operations	5410	596
Income from investments – residual receipts	5430	—
Income from investments – reserve for replacement	5440	—
Income from investments – miscellaneous	5490	—
		<hr/>
Total Financial Revenue		596
		<hr/>
Other Revenue – 5900:		
Laundry and vending	5910	17,217
NSF and late charges	5920	1,120
Damages and cleaning fees	5930	2,306
Forfeited tenant security deposits	5940	—
Other revenue (specify) (schedule attached)	5990	276
		<hr/>
Total Other Revenue		20,919
		<hr/>
Total Revenue		\$ 616,777
		<hr/>

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITYRental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2004

Description of Account	Acct. No.	Amount
Administrative Expenses – 6200/6300:		
Advertising	6210	\$ 77
Other administrative expense	6250	7,584
Office salaries	6310	3,830
Office supplies	6311	4,697
Office or model apartment rent	6312	5,712
Management fees	6320	34,296
Manager or superintendent salaries	6330	37,028
Manager or superintendent rent free unit	6331	—
Legal expenses – project	6340	495
Audit expense – project	6350	9,600
Bookkeeping fees/accounting service	6351	—
Telephone and answering service	6360	5,253
Bad debts	6370	52
Miscellaneous administrative expenses (specify)	6390	3,997
Total Administrative Expenses		112,621
Utilities Expense – 6400:		
Fuel oil/coal	6420	—
Electricity (light and misc. power)	6450	42,444
Water	6451	37,944
Gas	6452	46,716
Sewer	6453	—
Total Utilities Expense		127,104
Operating and Maintenance Expenses – 6500:		
Janitor and cleaning payroll	6510	22,487
Janitor and cleaning supplies	6515	741
Janitor and cleaning contract	6517	—
Exterminating payroll/contract	6519	4,220
Exterminating supplies	6520	—
Garbage and trash removal	6525	8,538
Security payroll/contract	6530	5,152
Grounds payroll	6535	—
Grounds supplies	6536	2,313
Grounds contract	6537	18,287
Repairs payroll	6540	50,801
Repairs material	6541	32,607
Repairs contract	6542	16,572
Elevator maintenance/contract	6545	—
Heating/cooling repairs and maintenance	6546	11,550
Swimming pool maintenance/contract	6547	—
Snow removal	6548	2,649
Decorating payroll/contract	6560	1,684
Decorating supplies	6561	307
Other	6570	—
Miscellaneous operating and maintenance expenses	6590	5,069
Total Operating and Maintenance Expenses		182,977

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITYRental Program – Hopkins Glen
(Project No. 000-55020-LDP)

Supplementary Information

Schedule of Revenues and Expenses

Year ended June 30, 2004

Description of Account	Acct. No.	Amount
Taxes and Insurance – 6700:		
Real estate taxes	6710	26,548
Payroll taxes (FICA)	6711	18,306
Miscellaneous taxes, licenses, permits, and insurance	6719	—
Property and liability insurance (hazard)	6720	—
Fidelity bond insurance	6721	—
Workmen's compensation	6722	2,292
Health insurance and other employee benefits	6723	13,130
Other insurance (specify)	6729	—
Total Taxes and Insurance		60,276
Financial Expenses – 6800:		
Interest on bonds payable	6810	—
Interest on mortgage payable	6820	40,470
Interest on notes payable (long-term)	6830	—
Interest on notes payable (short-term)	6840	—
Mortgage insurance premium/service charge	6850	—
Miscellaneous financial expenses	6890	—
Total Financial Expenses		40,470
Elderly and Congregate Service Expenses – 6900:		
Total service expenses (schedule attached)	6900	—
Total cost of operations before depreciation		523,448
Profit (loss) before depreciation		93,328
Depreciation and amortization	6600	92,845
Operating profit or (loss)		483
Corporate or Mortgagor Entity Expenses – 7100:		
Officer salaries	7110	—
Legal expenses – (entity)	7120	—
Taxes (federal – state – entity)	7130-32	—
Other expenses (entity)	7190	—
Total Corporate Expenses		—
Net Profit or (Loss)		\$ 483

See accompanying independent auditors' report.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Rental Program – Hopkins Glen
(Project No.: 000-55020-LDP)

Supplemental Information

Changes in Fixed Asset Accounts

Year ended June 30, 2004

	Assets			Accumulated depreciation			Net book value
	Balance June 30, 2003	Additions	Balance June 30, 2004	Balance June 30, 2003	Current provision	Balance June 30, 2004	
Land	\$ 41,969	—	41,969	—	—	—	41,969
Buildings and improvements	2,308,712	6,572	2,315,284	902,531	84,008	986,539	1,328,745
Equipment	63,567	21,960	85,527	53,138	6,712	59,850	25,677
	<u>\$ 2,414,248</u>	<u>28,532</u>	<u>2,442,780</u>	<u>955,669</u>	<u>90,720</u>	<u>1,046,389</u>	<u>1,396,391</u>



KPMG LLP
2001 M Street, NW
Washington, DC 20036

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

The Board of Supervisors
County of Fairfax, Virginia

United States Department of Housing and Urban
Development

The Board of Commissioners
Fairfax County Redevelopment and Housing Authority:

We have audited the financial statements of the Fairfax County Redevelopment and Housing Authority, Rental Program – Hopkins Glen (Project No. 000 55020 LDP) (the Project), as of and for the year ended June 30, 2004 and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Project's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.



This report is intended solely for the information and use of the Board of Supervisors of Fairfax County, Virginia, the Board of Commissioners of the Fairfax County Redevelopment and Housing Authority, Project management and the United States Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

August 13, 2004